

USAWC STRATEGY RESEARCH PROJECT

**UNITED STATES FOREIGN AID POLICY FOR THE 21<sup>ST</sup> CENTURY**

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This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

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## ABSTRACT

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In March 2002, while speaking at the UN International Conference on Financing for Development in Monterrey, Mexico, President Bush proposed a 50 percent increase in US foreign aid, a level to be reached over the next 3 years. This surprise announcement was noteworthy based solely on the significant size of the intended increase in foreign aid, but most importantly because of the policy shift it represents. The policy shift appears to be directly related to the Global War on Terrorism, and acknowledges that foreign aid can play an important role in mitigating developmental deficits that can result in instability. This instability, evidenced in weak, failed, or failing states, can create conditions conducive to breeding terrorists, and thus poses a significant US national security challenge. The purpose of this paper is to outline the dimensions of this new foreign aid policy direction, to link the policy to the national security ends it supports, and to evaluate whether the policy and the increased means to be made available through it will suffice to achieve stated national security ends of a more stable global security environment.



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## UNITED STATES FOREIGN AID POLICY FOR THE 21ST CENTURY

“The United States will deliver greater development assistance through the New Millennium Challenge Account to nations that govern justly, invest in their people, and encourage economic freedom.”

—President George W. Bush

### INTRODUCTION

In March 2002, while speaking at the United Nations International Conference on Financing for Development in Monterrey, Mexico, President Bush proposed a 50 percent increase in US foreign aid, a level to be reached over the next 3 years. This surprise announcement was noteworthy because Republicans have generally been only grudgingly supportive of foreign aid programs, and the programs have experienced a downward trend since the end of the Cold War. But most importantly, the President's announcement was noteworthy based on the significant size of the increase in foreign aid and the policy shift it represents. The purpose of this paper is to outline the dimensions of this new policy direction, to link the policy to the national security strategy ends it supports, and to evaluate whether the policy and the increased means to be made available through it will suffice to achieve stated national security ends of a more stable global security environment.

### UNITED STATES FOREIGN AID POLICY- ESTABLISHING A CONTEXT

Foreign assistance played a significant role in US foreign policy throughout much of the 20th Century, enabling the United States, through financial largesse, to dispense grants intended to reward allied, friendly governments for supporting US goals. The track record of US foreign assistance is checkered with many success stories, yet it also leaves a trail of negative, ineffective, and mismanaged funding resulting from, for example, corrupt regimes. Past policies often tended to neglect or even ignore the needs of many countries, as assistance decisions were based on geopolitical factors versus developmental requirements. The events of 9/11, however, show that the economic, social, and political problems of other countries directly impact US national security. This fact appears to have become a catalyst for a refined, targeted foreign assistance plan that will be a centerpiece of US foreign policy in the 21st Century, intended to result in an enhanced global security environment by addressing the economic, social, and political conditions that breed violence.

Andrew Natsios, the Administrator of the US Agency for International Development (USAID), describes his purpose as “advancing our national interests through foreign



assistance,” a purpose highlighted further by the words of Secretary of State Colin Powell when he swore-in Mr. Natsios: “A well administered AID is an indispensable tool for advancing America’s interests and values in the world, an indispensable tool for furthering our country’s foreign policy objectives.”<sup>1</sup> Natsios himself stated that support for international development has become “one of the three essential components of American foreign policy” alongside defense and diplomacy. In his remarks to the Heritage Foundation on January 7, 2003, Natsios characterized the 2002 National Security Strategy of the Bush Administration as viewing the United States as being threatened more by unstable, failing states that provide havens for groups such as Al Qaeda rather than stronger “conquering” states, thus the strategy underpins the maxim of helping to make the world “not just safer, but better.”<sup>2</sup>

This renewed momentum, recognizing the important link between national security policy and foreign assistance, is also evident in comments of key lawmakers. For example, US Senator Richard C. Shelby (R-AL) states that “...it is in our best national interest to give foreign aid to deserving countries. Whether for humanitarian, diplomatic, or defensive purposes, foreign aid programs directly contribute to the security of the United States”.<sup>3</sup> Another example is offered in the comments of US Senator Diane Feinstein (D-CA), making the link between foreign aid and terrorism. In a resolution she sponsored in June 2002 urging an increase in foreign aid, she stated: “As the US fights this war on terrorism—and puts into place programs called for in this emergency supplemental for homeland security and ongoing military operations in Afghanistan and elsewhere—we overlook the fact that global poverty is a contributing factor and a breeding ground for terrorism, and that if we are to be successful in this war the US must significantly increase its foreign aid spending commitments.”<sup>4</sup>

Additionally, in Senate Resolution 204, dated February 6, 2002, a bipartisan group of ten US senators proposed a resolution supporting foreign assistance. The resolution included these key points: “poverty, hunger, political uncertainty, and social instability are the principal causes of violence and conflict around the world;” US foreign aid programs “should play an increased role in the global fight against terrorism to complement the national security objectives of the United States;” and that the United States should lead coordinated international efforts “to provide increased financial assistance to countries with impoverished and disadvantaged populations that are the breeding grounds for terrorism.”<sup>5</sup>

Similar conclusions about foreign assistance were reached by Richard Sokolsky and Joseph McMillan of the National Defense University. In a New York Times editorial, they state that the United States has a requirement “... to increase spending greatly on the kind of foreign aid that helps strengthen civil society, provides food and development help, and finances

programs for education and health.” Focusing primarily on the Arab-Islamic world based on a “historic failure of development in a swath of countries running from North Africa to Pakistan,” they also state that US programs should key on supporting “nascent institutions of civil societies; promoting pluralism of information and opinions; promoting economic development to reduce the appeal of radical alternatives; and creating modern educational institutions that give young people in Muslim societies the tools they need to flourish in a world where global connections become ever more important.”<sup>6</sup>

Such calls for a refocused foreign assistance policy complemented the thinking in the Bush Administration, as it was on the verge of announcing significant changes to increase foreign development assistance at the UN International Conference on Financing for Development in Monterrey, Mexico. As mentioned earlier, the proposed 50 percent increase in US foreign aid, to be reached over the next 3 years, was noteworthy in part because of the policy shift it represented after years of foreign assistance budget declines, but mostly because of the significant size of the increase. Six months later, in September 2002, President Bush also released the National Security Strategy (NSS) which highlighted foreign aid as a co-equal with diplomacy and defense in achieving US foreign policy aims, certainly a new approach. The result is a long-term strategy to influence the global security environment for the 21st Century.

The issue of foreign assistance as a policy tool illustrates the traditional friction between the realist and idealist schools of thought with regard to the conduct of US foreign affairs. The checkered history of US foreign assistance throughout the last 60 years highlights this friction. As administrations came and went, each with its own foreign policy vision underpinned by unique assumptions and philosophies for the usefulness of foreign assistance, the budgetary fortunes of foreign assistance waxed and waned in direct proportion to its perceived importance. Natsios characterizes the two schools of thought as “practical realist” and “moral idealist,” the former being an “unsentimental view of human behavior and the hard, cold pursuit of national security and economic self-interest.”<sup>7</sup> The latter approach, that of the moral idealist, is values-driven and focused on the spread of democratic capitalism and “presumes that all societies share certain values and that our national interests often lie in harmonizing our policies with others.”<sup>8</sup> He believes that it is this incompatibility between the two basic philosophies of international relations, and their corresponding foreign policy approaches, that has contributed to an inconsistent foreign assistance program through the years.

From the practical realist perspective, Gary Dempsey, a foreign policy analyst at the Cato Institute, argues that the new foreign assistance program amounts to using nation-building as a tool for combating terrorism, underpinned by the idea that “good states” behave, so the

United States should endeavor to build more “good states.” He argues that this approach is not supportable and is based on faulty assumptions, and that “combating terrorism is tied to the realist perspective, which says that it increasingly makes sense for states to use or condone violence, including terrorism, when they fall prey to the idea that violence will succeed. A realist approach to combating terrorism, therefore, does not hinge on nation-building or making the world safe for democracy. It hinges on a policy of victory and credible deterrence.”<sup>9</sup>

An interesting countervailing perspective is offered by Jane Holl Lute, the UN Assistant Secretary General for Mission Support in the Department of Peacekeeping. Arguing from the moral idealist viewpoint, she states that what drives US foreign policy should not be interests, which she says are based on present capabilities and threats and thus change through time, but rather core needs. She describes these as being two-fold: maintaining US preeminence and economic dynamism and achieving a world changing for the better, even while maintaining US preeminence. This logic offers foreign assistance as a strategy to create “capable states” with which the United States can operate to meet its core needs.<sup>10</sup>

Given the above descriptions of the traditional friction in foreign affairs thinking, it appears that the new Bush Administration approach to foreign aid adopts some key tenets and the best aspects of both schools of thought. The visionary platitudes laid out in the NSS as goals and end states for a better world indicate an acknowledgment of the moral idealist position wherein all nations share in each others’ successful future. On the other hand, the details for implementing foreign assistance through, for example, the new Millennium Challenge Account (MCA), are tied directly to US interests and require a programmatic approach that requires measurable outcomes and progress as preconditions for developmental aid to ensure a business-like accountability, which is linked to the practical realist perspective.

## **BACKGROUND ON THE US FOREIGN AID PROGRAM**

Foreign aid is an important and invaluable tool for the US government to use in the pursuit of strategic national security goals. While the desired national strategic outcomes certainly rely on integrating all elements of national power, the provision of foreign aid grants to friends and allies is generally considered to be a tool from the kitbag of the economic element. Clearly, foreign aid and the economic element work synergistically with the diplomatic and information elements of power. As an example, promises of, or threats to withhold, foreign aid can be useful tools as part of a diplomatic initiative. Importantly, foreign aid excludes military or security assistance aid, and focuses rather on facilitating outcomes in economic, political, and social development.

Steven Radelet, a Senior Fellow at the Center for Global Development, traces the growth of foreign aid, as an important element of national security policy, as blossoming during the Truman administration during the 1940s and 1950s. The huge sums of grants and loans of the Marshall Plan served as a way to reconstruct European economies and infrastructure after the massive destruction of World War II. The Marshall Plan served our national interests, as we needed to help rebuild the capacities of our former and future trading partners while simultaneously serving to strengthen the democracies with which we would seek to contain the Soviet Union. Foreign aid in the 1960s grew significantly with the development of the Peace Corps, the US Agency for International Development, and the Alliance for Progress, with Vietnam being the largest foreign aid beneficiary. In the 1970s foreign aid was used to assist in the Middle East peace process in order to limit turmoil to the world's oil supply and minimize direct superpower confrontation, and the Reagan Administration in the 1980s applied foreign aid to the Central American countries of El Salvador, Guatemala, Honduras, as well as to the Philippines, Zaire and Indonesia, all of which were facing communist insurgencies.<sup>11</sup>

In a utopian world rich nations would assist less fortunate nations solely based on the moral imperatives that all espouse, agreed to for example in the UN Charter and the Universal Declaration of Human Rights. In the complex real world, the desire to assist less fortunate nations is tempered by ideology, alliances, and, of course, the willingness of nations and their citizens to 'give away' hard-earned national treasure that could be otherwise utilized at home. But it is clear from the above examples of the past 50 years that, while often unpopular with our populace and key lawmakers, the United States has used foreign aid distribution as a means to pursue national security ends. The correlation between foreign aid and the achievement of our national policy ends in that timeframe appears quite clear. While not all individual beneficiaries have evolved into stable market economy democracies, our larger strategic purposes in providing foreign aid were achieved. The threat represented by the Soviet Union and the spread of communism were gone by the 1990s, and with that came a drop of 25 percent in US assistance to poor countries. The main purpose for foreign aid had been achieved.

It is a common observation that "everything changed after 9/11," and that appears to also be the case with the underlying purpose for US foreign assistance. The program was on the decline when the terrorist attacks in New York, Pennsylvania and Washington provided a rationale to increase assistance programs. Shortly after the attacks, the Bush Administration committed \$297 million to Afghanistan, \$600 million to Pakistan, and \$250 million to Jordan (the Administration's 2004 budget includes \$4.7 billion for these states and others that are providing assistance in the war with Iraq).<sup>12</sup> This was followed by the President's announcement

establishing the Millennium Challenge Account, and by pledges to increase US funding contributions to the World Bank by 18 percent over 3 years, and to fund a new AIDS Relief plan for \$9 billion over 5 years. This immense change in foreign aid policy following the events of 9/11 clearly signals a new underlying rationale for the provision of US foreign aid. This new rationale is motivated by four concepts, including: realization that aid can play an important role in the strategy of the war on terror by assisting “frontline countries and weak states where terrorism might breed;” recognition that foreign aid is an opportunity to project complementary “soft power” at a time when the United States is projecting so much “hard” or military power in the world; realization “that global poverty and inequality threaten US security and national interests” as the have-not countries breed anger and future terrorism or other security issues; and the perception that it is morally unacceptable for the widening gap between rich and poor countries to not be seriously addressed by the richest nation on the planet.<sup>13</sup>

## **NATIONAL SECURITY STRATEGY AND FOREIGN AID**

At the conference in Mexico, President Bush said “The United States will deliver greater development assistance through the new Millennium Challenge Account to nations that govern justly, invest in their people, and encourage economic freedom.”<sup>14</sup> The philosophical and strategic underpinning of the MCA is easy to track in the NSS. The President’s cover letter highlights constructs that the MCA supports, such as: “The great struggles of the twentieth century....ended with a decisive victory...and a single sustainable model for national success: freedom, democracy, and free enterprise.”; “America will help nations that need our assistance in combating terror.”; “We will actively work to bring the hope of democracy, development, free markets, and free trade to every corner of the world.” ; and finally “...poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks...”<sup>15</sup>

The NSS states the more specific national security policy regarding foreign aid in Chapter VII, beginning with the statement “Including all of the world’s poor in an expanding circle of development-and opportunity-is a moral imperative and one of the top priorities of US international policy.”<sup>16</sup> The policy changes the focus from measuring foreign aid merely in dollars provided, to measuring progress in rates of growth and poverty reduction. The MCA is proposed as significantly increased levels of assistance to be offered to governments making real policy changes conducive to economic development, and thereby maximizing our foreign aid investment. The United States offers an ambitious target to be met by it and other developed countries: to double the size of the world’s poorest economies within a decade. The President characterizes this as “a new compact for global development, defined by new accountability for

both rich and poor nations alike. Greater contributions from developed nations must be linked to greater responsibility from developing nations.”<sup>17</sup> The stated major strategies to achieve this goal are:

- Provide resources to aid countries that have met the challenge of national reform;
- Improve the effectiveness of the World Bank and other development banks in raising living standards;
- Insist upon measurable results to ensure that development assistance is actually making a difference in the lives of the world's poor;
- Increase the amount of development assistance that is provided in the form of grants instead of loans;
- Open societies to commerce and investment;
- Secure public health;
- Emphasize education; and,
- Continue to aid agricultural development.<sup>18</sup>

### **THE MILLENNIUM CHALLENGE ACCOUNT**

As alluded to above, the MCA is predicated on the concept that development is best, and therefore foreign aid donations are maximized, “...when poor countries have strong policies on governance and economic reform and take responsibility for reducing poverty and spurring economic growth.”<sup>19</sup> This seems intuitive; there should be responsibility and ownership in foreign aid to ensure a return on investment. Per E. Anthony Wayne, Assistant Secretary of State for Economic and Business Affairs, “...throwing money at problems without the foundation of sound government policies will not have lasting impact...” and “Development requires economic growth.”<sup>20</sup> This philosophy is reinforced in a statement by the USAID, which notes that economic development assistance will only work when coupled with good economic policy in beneficiary countries, as it is in those cases where every aid dollar accounts for the attraction of two dollars of private capital.<sup>21</sup>

With the new emphasis on accountability and results as a backdrop, in the case of the MCA, recipient governments will be those that rule justly, invest in their people, and encourage economic freedom. The MCA outlines a list of “...16 criteria for judging recipients, ranging from trade policy and budget deficits to political rights and corruption to public expenditures in health and education. To qualify, countries would need to score above the median in at least half of the 16 categories; they would be automatically disqualified if they do not meet the corruption standard.”<sup>22</sup> The MCA is administered by an independent corporation created to deliver these

new aid assets, which will range from \$1.67 billion in 2004 to \$5 billion in 2006. These amounts will be provided to only about 10-15 highly qualified low-income countries. Focusing on the key areas of agricultural development, education, governance, health, trade and investment enhancements, and private sector development, the desired outcome of the MCA "...is to reduce poverty by significantly increasing the economic growth trajectory of recipient countries."

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## **POLICY ANALYSIS**

It is clear that the United States is committed to improving the condition of the developing world, evidenced in the first case by the fact that the United States is the world's greatest foreign aid donor and provides \$10 billion per year in grants ( \$17 billion when one considers security assistance). Additionally, consider the following facts provided by the USAID: the United States provided over \$2.5 billion in humanitarian aid and food aid in 2001, most in the world; it imported \$449 billion from developing countries in 2001, most in the world; it provides the most private capital to poor countries; US charities and other Non-Governmental Organizations provide billions of dollars of aid annually, most in the world; and the United States donates the most money of anyone to multilateral development banks such as the World Bank.<sup>24</sup> Of the \$58 billion in aid offered to developing nations each year, the United States currently provides \$10 billion, or one sixth of the total. With the MCA, the US contribution will now grow to \$15 billion, or one quarter of the total international developmental aid.

Despite the impressive statistics cited above, the MCA and the US foreign aid programs have detractors. Gene Sperling, a Senior Fellow at the Council on Foreign Relations, and Tom Hart, the Director of Government Relations for the Episcopal Church, believe that the MCA as a bilateral program unhinges much of the cooperative, multilateral aid-giving progress developed over the last several decades. Worse, though, is that the MCA will only benefit a few nations (10-15 per year), leaving out the poorest and neediest countries. They cite as an example that currently only four African nations could meet the criteria set out in the MCA, with another five just falling short on one or two criteria. All nine of these nations together only account for 15 percent of Africa's poor nations, thus the MCA focuses on lower middle income countries instead of the neediest. Sperling and Hart recommend a two-tiered system whereby the United States, via MCA, can reward those nations with the soundest economic and social plans, while also awarding significant aid to poorer nations who, while they have not met requirements in all 16 criteria areas, have shown progress and good faith efforts.<sup>25</sup> Stephen Heyneman, a Professor of International Relations at Vanderbilt University, argues that in reality the MCA

increases will continue to be awarded by the United States not based on need, but in order to fulfill domestic political requirements or other geopolitical considerations, so awards of aid are more a matter of national interest versus moral imperative.<sup>26</sup> Finally, Foreign Policy magazine and the Center for Global Development argue that the amount of cash grants is only part of the foreign aid story. Their joint effort results in a Commitment to Development Index that takes into account the influence of each developed country's policies on poor nations' development. They argue that while it is true that the 21 richest nations provide \$58 billion in aid per year, and that the United States will be providing \$15 billion of this as the largest donor, the sums are relatively insignificant, and certainly inadequate given stated goals and financial requirements. In the US case, this amount represents one half of one percent of the US budget, or one tenth of one percent of GDP, far less in relative terms when compared with other donor nations. The index takes into account the total effect that policies, for example those concerning migration, trade, and the environment, help or retard social and economic development abroad, and using this metric the United States places only 20th of the key donors.<sup>27</sup>

## **ASSESSMENT**

The NSS speaks of extending the peace, extending the benefits of freedom around the globe, bringing development, free trade, and free markets to every corner of the world, and addressing the challenges of poverty, weak institutions and corruption in order to build a better world community. An entire chapter of the strategy is devoted to this: "Expand the circle of development by opening societies and building the infrastructure of democracy."<sup>28</sup> A major way proposed to meet these ends is through the increased foreign assistance offered through the Millennium Challenge Account.

The NSS and its stated goals for development and the provision of additional foreign aid recognize the criticality of addressing the ever-increasing disparity between rich and poor nations. Flashpoints ignited by the disparity are imminent with severe ramifications to US security, for example affecting access to natural resources and causing armed conflict, if serious and adequate attention and resources are not expended to enhance global development. This is clearly recognized as an impending risk, and the text of the strategy properly identifies it as such and fittingly calls for a significant increase in foreign aid in order to address the issue. The MCA has also been constructed in order to leverage what has been learned after decades of aid-giving, namely that foreign aid is most effective in achieving economic, social, and political developmental progress when the beneficiary is accountable for using aid grants to show real,



measurable progress. In this, the MCA has gotten it exactly right in ensuring, as a donor, that beneficiaries are responsible for their true progress.

The MCA is commendable based on the sheer size of the effect it has had on total US foreign aid outlays. It is a fitting policy gesture of the world's leader, recognizing moral and other special responsibilities to lead the way to improve the human condition. The MCA will result in more impoverished people being helped. In addition to the huge sums of money given in foreign aid, the United States also pays immense sums to ensure the operation of the UN, for military and security assistance, counter drug and WMD operations, and countless billions while serving as the world's policeman. Still, while a strong step in the right direction, the MCA will likely not accomplish all that it advertises.

The United States will soon be providing \$15 billion per year for foreign aid developmental assistance, more than any other nation. However this amount is not "fair share" based on the relative contributions of the other 20 primary rich donor nations. Also, consider the scope of the developmental problem: for 50 years rich nations have provided the bare minimum of aid, never enough to truly stimulate economic development except when massed in countries of particular strategic importance to the donors. Many poor nations have gotten poorer. Despite the fact that the United States has provided \$1 trillion in foreign aid since World War II, by UN estimates 70 of the countries that were aid recipients were actually poorer in 1997 than in 1980.<sup>29</sup> Consider the current worldwide foreign aid sums, only \$58 billion per year, including the US commitment of \$15 billion, for the entire developing world. Consider that the United States has awarded an additional \$1 billion solely to Afghanistan, and that it offered close to \$20 billion to Turkey to allow forces to use its bases and ports for Operation Iraqi Freedom. Consider that the US Congress approved a supplemental appropriation bill in late 2003 that included \$30 billion solely for Iraq, a relatively developed country, for infrastructure repair and other development following Operation Iraqi Freedom. It is clear that, despite stated national security outcomes, current foreign aid levels are inadequate to produce long-term, meaningful developmental results in a way that truly reshapes the global security environment.

#### **ALTERNATIVE POLICY OPTIONS**

Foreign aid can be instrumental in building ties that bind, in creating ties between nations that are cooperative and work together to resolve outstanding issues so that all nations benefit. An example of the importance of these ties is offered by Dr. G. John Ikenberry, Professor of Geopolitics and Global Justice at Georgetown University. In discussing US grand strategy, he cites consistent themes of the importance of interdependence, business

internationalism, multilateral economic and security organizations, and democratic community building to tie the fortunes of the United States to those of other nations.<sup>30</sup> Such a tie-binding security strategy could result in a multilateral “Marshall Plan” for developing nations. The focus of the plan would be on economic growth and infrastructure development to address underlying problems causing tension, frustration and anger. The plan therefore would bind the fortunes of the developing countries with those of benefactor nations. Interestingly, when scrutinized, the NSS verbiage seems, essentially, to call for a world-wide Marshall Plan to create these “ties that bind.”

This grandiose NSS verbiage goes beyond the mechanical implementing details of the MCA, which, for example, focuses on providing aid to the poorest nations if in fact they meet the entry level requirements for aid grants with regard to democratic governance, the rule of law, and so forth. The MCA approach, while seeking to establish accountability in foreign aid recipients, serves to exclude many potential beneficiaries, many of which are the most needy. Additionally, with regard to exporting stability, perhaps it would be more beneficial in the efforts to defeat terrorism and improve the conditions that tend to breed it to focus foreign aid on those nations that are characterized as “seam” states by Dr. Tom Barnett of the US Naval War College. These are the states that operate at the nexus between the functioning “core” or globalized and developed nations and the “peripheral” states that are poverty-stricken and currently unlikely to become functioning parts of the global marketplace.<sup>31</sup> It is telling that almost all US military deployment during the past 12 years occurred “in the gap”, according to Arthur Cebrowski, the Director of the Office of Force Transformation for the Department of Defense.<sup>32</sup> Perhaps this is in fact what we are witnessing in the Global War on Terrorism, as characterized by Robert Looney from the Center for Contemporary Conflict, US Naval Postgraduate School. He believes that the United States and its partners are embarked on a three-part strategy, including short-term military approaches to defeating terrorists, a medium-term approach to focus on vulnerable countries and groups, and then finally a longer-term strategy targeting assistance programs to address underlying causes of terrorism.<sup>33</sup> This model may be accurate, but the longer-term assistance programs must not solely focus on addressing terrorism, but on those underlying conditions and causes of violence and instability in general in order to appropriately shape the global security environment.

There are detractors to adopting such an approach, one that focuses on foreign assistance, in shaping the security environment. Gary Dempsey, from the Cato Institute, points out that foreign aid amounts to nation-building, a difficult and time and resource intensive undertaking. If the United States and other donor nations were to undertake such efforts in

nations with terrorist threats or oppressive regimes, "3.6 billion people, or 59% of the world's population, should logically become subjects of foreign nation-building efforts."<sup>34</sup> He goes on to argue that poverty and ignorance are not the root causes of terrorism, and that the United States and its allies cannot alleviate poverty and ignorance around the globe as these are usually the result of poor policy-making in poorer countries. Finally, he argues that a Marshall Plan for the globe cannot possibly work, as the dynamics (for example preexisting level of development, work ethic, organizational capacity and infrastructure/institutions) involved are entirely different than those that allowed Germany and Japan to successfully emerge from the ruins after World War II.

## **CONCLUSION**

It appears that foreign aid as a major component of US foreign policy has assumed an appropriate place in helping to shape the global security environment. The outlines for the future global security environment are now visible, having emerged from the ashes of the Cold War and the harsh realities of terrorism and winner-take-all globalization. The outlines represent a major shift in the existing international system of states, and are manifested in the tremendous increase in the number of operational deployments around the world by US forces responding to violent, chaotic, and humanitarian crisis situations. The US military may be standing on the brink of decades of deployment, increasingly answering the call as a key tool in exporting stability around the world, thereby necessarily spending much of the nation's treasure. Is this where the nation wants to find itself throughout the 21st Century? It is possible that a robust foreign aid policy can make tremendous contributions to enhancing global security, and thereby help to minimize US military deployments, by addressing root causes of instability-- if it is properly resourced.

Clearly there are many viewpoints as to the efficacy of foreign assistance. Still, with this as a backdrop, "development assistance...plays an essential role in US foreign policy. It is the only major US policy that takes the longer view of circumstances abroad and of the longer term strategies likely to improve those circumstances by helping to create markets, reduce threats, encourage self-reliance, and produce rule-based regimes."<sup>35</sup> Foreign assistance should respond to the core needs of the United States by assisting in the development of capable states. The foreign policy of the United States with regard to the "seam and peripheral," or developing nations, will be key in shaping the global security environment in the 21st Century, and thus foreign assistance will be key in determining conflict and peace. The new priority assigned to the foreign assistance program indicates the current enthusiasm for its potential,

and marks it as a key component of a long-term strategy to address many of the major underlying causes of future conflict. However, more substantial resource allocation is essential for foreign assistance to realize its potential in proactively shaping the global security environment by addressing root causes of instability and thereby minimizing the current prospect of ever-increasing and seemingly endless use of the US military to reactively export stability.

In the final analysis, the policy shift indicated by the announcement of the Millennium Challenge Account is a step in the right direction. It does provide \$5 billion more, which will be welcomed by the few nations actually qualified to receive this aid according to the MCA's stringent design. Most importantly, though, there is a mismatch between "means" (money) allocated through the various "ways" of foreign aid to achieve the noble "ends" for development espoused in the National Security Strategy. The United States and other developed donor nations should work seriously to address and finance realistic solutions to the plagues of poverty and underdevelopment, and in this way match rhetoric with commensurate will or resources. Despite the largesse of the United States, current levels of foreign aid will not allow the achievement of stated policy ends due to both inadequate resources and exclusion of many of the neediest countries.

The 21st Century promises to provide the United States with many national security challenges in a very complex geopolitical environment. The challenges come in a wide variety, including population growth and migration, lack of natural resources, humanitarian crises, proliferation of weapons and technology, fault lines between religions, ethnicities, and economic and political systems, non-state actors, and the ever-increasing transnational threats of terrorism, drugs, and disease. These challenges take advantage of and exacerbate the poverty and hopelessness of the non-functioning gap of globalization, precisely those locales where US military intervention has been required in the recent years. Foreign aid represents a key and essential component of the US long-term strategy to address the global poverty and inequality that directly threaten US national security goals. It is clearly in the US interest to resource foreign assistance to preclude the non-functioning gap nations from imploding in humanitarian crises and fomenting terrorism. What is at stake is whether or not the United States must spend the 21st Century deployed around the world responding to non-functioning gap nation crises.

The alternative is preferable- being in a position to interact within a constellation of capable states, a reality that can only be achieved with a long-term, multilateral "Marshall Plan-type" global foreign aid program that is focused on specific national and regional developmental

needs. The outlines of such a program are taking shape, and it is an approach that focuses first on “seam” states and other key partners in the Global War on Terrorism, as these states are best postured to become members of the “functioning core” and are tied to our vital national interests. The US government will necessarily seek to maximize its foreign aid investment given the reality of limited foreign aid resources due to other priorities. The focus on providing foreign aid to “seam” states and Global War on Terrorism allies, while perhaps counterintuitive when viewed in terms of developmental assistance “neediness,” is reality for the foreseeable future. It is likely, then, that only in the longer term of the 21<sup>st</sup> Century national security strategy execution will the most problematic issues of foreign aid for failed and failing states be fully addressed.

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## ENDNOTES

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<sup>3</sup> Richard Shelby, "Foreign Aid," 9 January 2002; available from [http://shelby.senate.gov/legislation/foreign\\_aid.cfm](http://shelby.senate.gov/legislation/foreign_aid.cfm); Internet; accessed 13 December 2003.

<sup>4</sup> Dianne Feinstein, "Senate Approves Feinstein Resolution to Increase Foreign Aid Spending," 4 June 2002; available from <http://www.senate.gov/feinstein/Releases02/poverty.htm>; Internet; accessed 13 December 2003.

<sup>5</sup> Senate Resolution 204, "Measure Suggests Using Foreign Aid as Anti-terrorism Tool," 6 February 2002; available from <http://jakarta.usembassy.gov/terrorism/senate204.html>; Internet; accessed 13 December 2003.

<sup>6</sup> Richard Sokolsky and Joseph McMillan, "Foreign Aid in our Own Defense," 12 February 2002; available from <http://usinfo.state.gov/topical/pol/terror/02021202.htm>; Internet; accessed 13 December 2003.

<sup>7</sup> Natsios, 2.

<sup>8</sup> Ibid.

<sup>9</sup> Gary K. Dempsey, "Old Folly in a New Disguise, Nation Building to Combat Terrorism," Policy Analysis 429 (21 March 2002): 3-8.

<sup>10</sup> Jane Holl Lute, "Rethinking Development Assistance and the Role of AID in U.S. Foreign Policy," 24 November 2000; available from [www.usaid.gov/pubs/confprev/jan2001/lute.doc](http://www.usaid.gov/pubs/confprev/jan2001/lute.doc); Internet; accessed on 13 November 2003.

<sup>11</sup> Steven Radelet, "Bush and Foreign Aid." Foreign Affairs 82 (Sep/Oct 2003):106-107.

<sup>12</sup> Ibid., 108.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., 109-110.

<sup>15</sup> George W. Bush, The National Security Strategy of the United States (Washington, D.C.: The White House, September 2002), iii-v.

<sup>16</sup> Ibid., 21.

<sup>17</sup> The White House Fact Sheet, "The Millennium Challenge Account," Economic Perspectives 8 (March 2003); [database on-line]; available from Ciaonet; accessed 16 October 2003.

<sup>18</sup> Bush, 21-23.

<sup>19</sup> Gene Sperling and Tom Hart. "A Better Way to Fight Global Poverty," Foreign Affairs 82 (Mar/Apr 2003): 9 [database on-line]; available from ProQuest; accessed 15 October 2003.

<sup>20</sup> E. Anthony Wayne, "The MCA Promotes Sound Economic Policies," Economic Perspectives 8 (March 2003): 9 [database on-line]; available from Ciaonet; accessed 16 October 2003.

<sup>21</sup> United States Agency for International Development, "Millennium Challenge Account," Economic Perspectives 8 (March 2003): 33 [database on-line]; available from Ciaonet; accessed 16 October 2003.

<sup>22</sup> Sperling and Hart, 11.

<sup>23</sup> United States Government Background Paper, "Implementing the Millennium Challenge Account," Economic Perspectives 8 (March 2003); [database on-line]; available from Ciaonet; accessed 16 October 2003.

<sup>24</sup> United States Agency for International Development, 34.

<sup>25</sup> Sperling and Hart, 12.

<sup>26</sup> Stephen P. Heyneman, "The Social Aspects of the Millennium Challenge Account: Risk and Prospects," Economic Perspectives 8 (March 2003): 25-26 [database on-line]; available from Ciaonet; accessed 16 October 2003.

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<sup>29</sup> Dempsey, 7.

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<sup>34</sup> Dempsey, 3.

<sup>35</sup> Lute, 1.





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